

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1007 - HB 1107

March 24, 2015

SUMMARY OF BILL: Authorizes local education agencies (LEAs) to convert to a home-rule LEA. Prohibits special school districts, the state Achievement School District (ASD), and LEAs with one or more priority schools from converting to a home-rule LEA. Eligible LEAs may convert to a home-rule LEA, if the LEA meets or exceeds the state average on academic and other standards as determined by rules promulgated by the State Board of Education for three successive academic years. Before converting to a home-rule LEA, the local board of education shall adopt a resolution to create a charter commission or the voters may present a petition signed by at least 10 percent of eligible voters to the local governing body requesting such a change. Sets forth the membership of the charter commission. The charter commission shall develop a charter that shall govern the home-rule LEA. Sets forth what each home-rule charter shall include. Within one year of the date of its first meeting, the charter commission shall submit the proposed charter to the Commissioner of the Department of Education (DOE) for review. If a charter commission fails to propose a charter for conversion of an LEA to a home-rule LEA, then a home-rule LEA may not be formed. If no charter is proposed, then no further attempt may be made to convert to a home-rule LEA for two years. The proposed charter must be approved by two-thirds vote of the local governing body and a two-thirds vote of the local board of education. If both such entities approve the proposed charter, then the proposed charter shall be presented during a regular August election for approval by the qualified voters. If the proposed charter is not approved by the qualified voters, then no additional attempt may be made to convert to a home-rule LEA for two years.

Requires home-rule LEAs to have greater authority and control over its operations than a traditional county or city LEA; however such authority may not exceed federal or state laws or rules and regulations relative to student and school accountability. Sets forth areas that a home-rule LEA may exercise greater control including choice of assessments and development of their own academic standards. Authorizes home-rule LEAs to apply for a waiver to the Commissioner of DOE with regard to statutes and rules that hinder the LEA's ability to meet its goals or comply with its mission statement. Prohibits the Commissioner from waiving rules and statutes for certain areas. Conversion to a home-rule LEA shall not alter funding for the LEA. Bond indebtedness incurred by the LEA or local governing body shall remain a liability of the home-rule LEA or the local governing body after conversion. Requires annual audits of the accounts and records of the home-rule LEA. Additional audits may be performed by the Comptroller of the Treasury.

Home-rule LEAs may have their charter revoked by the State Board of Education, if the Board determines that the LEA committed a material violation of its charter; failed to meet the charter's minimum performance requirements; failed to comply with rules promulgated by the SBE relative to home-rule LEAs; failed to meet generally accepted standards of fiscal

SB 1007 - HB 1107

management; or failed to comply with the provisions of this bill or other relative state or federal statutes or rules. Requires home-rule LEA charters to be revoked by the SBE, if a home-rule LEA school receives identification as a priority school in 2017 or any subsequent year. Prohibits an appeal for charters revoked after a school has been identified as a priority school. Requires the SBE to promulgate rules and regulations that provide for the transition of a home-rule LEA whose charter has been revoked or rescinded.

If a local board of education of a home-rule LEA or its governing body votes by a two-thirds majority to rescind the charter of the home-rule LEA, then the voters within the boundaries of a home-rule LEA shall vote on whether to rescind a charter. The registered voters of a home-rule LEA may present a petition signed by 10 percent of the registered voters to the local governing body to ask for the dissolution of the home-rule charter. After the presentation of such a petition, the qualified voters shall vote on the issue.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures – Exceeds \$100,000/Permissive

Other Fiscal Impact – If home-rule LEAs chose to adopt their own curriculum standards and purchase their own standardized tests, federal funding may be placed in jeopardy as a result of the state being out of compliance with Tennessee’s No Child Left Behind waiver. Any withholding of federal funding will be at the discretion of the U.S. Department of Education. The state received over one billion in federal funds in FY14-15.

Assumptions:

- Home-rule LEAs will continue to be funded through the Basic Education Program (BEP) funding formula.
- Any increase in local expenditures to add items to the ballot during a regular election cycle are estimated to be not significant.
- LEAs that choose to convert to a home-rule LEA may adopt their own curriculum standards; purchase additional textbooks; and purchase their own assessments. A precise cost estimate for these and other permissive increases in local expenditures is unknown but is reasonable estimated to exceed \$100,000.
- A central component of the state’s NCLB waiver and statutory accountability plan as approved by the federal government is state standardized testing and curriculum. Differences among LEAs in these areas will put Tennessee out of compliance with the state’s waiver and may place federal funding at risk.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, reading "Jeffrey L. Spalding". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Spalding" clearly legible.

Jeffrey L. Spalding, Executive Director

/msg